

## The Interest on the War Debt

Probably two-fifths of the whole bill for interest will be payable at home

By H. M. P. ECKARDT.

The facility with which interest payments on the Dominion's internal debt are made has been illustrated at each of the successive coupon dates applying to the newly-issued war bonds. The largest of these interest payments, so far, was that maturing on 1st September, in case of which the half year's interest—\$3,750,000—on the third war loan was provided for. Canadian municipalities, corporations and individuals holding the bonds, simply deposited the matured coupon with their bankers, and the banks transferred the amounts from the government's account to the accounts of other customers. Apart from the interest payments on bonds held by Americans, the whole transaction was internal; and if the banks are all taken as a unit it represented merely a series of book entries. Interest on the external debt, on the other hand, represents a more difficult problem. As each coupon falls due the Finance Department must buy sterling exchange to cover the amounts payable to British holders and exchange on New York to meet the payments due to Americans. The banks in this case must provide real money—book-entries will not do—and if the exchange markets at the time are adverse to Canada the operation may be costly. It should be said here that since the first year of the war the abnormally low quotations prevailing for sterling exchange have operated to the advantage of Canadian corporations and governments having to remit coupon money to London. It was generally assumed, when the debts were created, that the sterling money required for interest would cost the Canadian borrowers 4.86 or more; and, as a matter of fact, they have been able to supply their wants latterly at 4.77 and sometimes lower than that. Thus, in case of a bond issue of £200,000 at 5 per cent with interest payable half yearly, the semi-annual requirement in sterling exchange would be £5,000. The bills on London to meet each coupon would thus cost roundly \$500 less than originally anticipated. Take one of the Dominion's loans for £5,000,000 with interest say at 4 per cent. Semi-annual interest would be £100,000, and the gain or saving through remitting that amount would be \$10,000.

### CONDITIONS.

However, the conditions governing the remittance of coupon money to the United States have not been so favorable. During most of the time American exchange has been at a premium, which has sometimes been as high as 1 per cent between banks, with the counter rates, of course, a shade higher. The Dominion loan of \$100,000,000 recently placed in New York calls for half-yearly interest remittances of \$2,500,000 on 1st February and 1st August of the two years during which the notes are current. So, when a coupon matures if the premium on New York drafts is then  $\frac{1}{4}$  per cent, the cost of remitting would be \$6,250; and if the premium is  $\frac{1}{2}$  per cent, the cost rises to \$12,500. It is worth remarking, too, that the premium quoted in our market on American funds forces Canadian purchasers of sterling exchange to pay just that much more for it than parties in the United States are required to pay—our sterling exchange quotations being merely the New York quotations with the premium or discount on American funds added or deducted.

### AMOUNTS TO \$525,000,000.

The funded war debt payable in New York and in Canada (counting the recent issue of \$100,000,000 two-year notes as funded debt) created since August, 1914, now amounts to \$525,000,000; and, as all of the bonds bear interest at 5 per cent, the annual interest is \$26,250,000. The interest payments are spread through the year as follows: February 1st, \$2,500,000; March 1st, \$3,750,000; April 1st, \$4,375,000; June 1st, \$2,500,000; August 1st, \$2,500,000; September 1st, \$3,750,000; October 1st, \$4,375,000. It will be noticed that in case of these loans no interest falls due in January, May, July and November. However, the interest dates applying to a considerable part of the pre-war debt payable in London are in January and July. And, as many people apparently expect the announcement of the fourth domestic loan in October or November, it may turn out that the bonds will be dated November 1st, in which case May and November would find places in the above list. The spreading of the interest payments in small amounts throughout the year is a convenience for the Government in that they are easier to finance. It is also a convenience for certain classes of investors who wish to have their income available in monthly or bi-monthly sums. To illustrate this, suppose the fourth war loan has interest payable in

May and November; and that a widow buys \$2,000 of that loan after having taken \$2,000 of each of the three preceding domestic loans. Her \$400 income will come in as follows: On March 1st, \$50; on April 1st, \$50; on May 1st, \$50; on June 1st, \$50; on September 1st, \$50; on October 1st, \$50; on November 1st, \$50; on December 1st, \$50.

The temporary loans of the Dominion Government as at July 31st, 1917, are given as amounting to \$334,000,000. This would cover the short loans from the Canadian banks, the balance of \$20,000,000 of the loan negotiated in New York two years ago, and the amounts due to the Bank of England and the British Government in connection with the pay and maintenance of the Canadian forces overseas. By means of the domestic war loan to be floated this fall the temporary loans may be slightly reduced, but it seems quite likely that the total will be in the neighborhood of \$300,000,000 at the end of 1918. Interest on this debt probably runs at 5 to 5½ per cent—in connection with the British loans it is understood that

Canada pays exactly the same rate as paid by the British Government. So the annual interest cost on the floating debt as above would be something like \$17,000,000. Interest on this class of debt is frequently paid out of the proceeds of renewals or of funded loans into which the short date credits are converted.

It is quite possible that another portion of the debt in current account to the Bank of England may be taken up by long term bonds. On the former occasion approximately \$12,000,000 of long date securities were delivered to the British authorities, and it is understood that these bonds at present are included in the collateral held at New York against one of the American loans to Britain. The interest on that block of Dominion bonds would amount to a little less than \$6,000,000 per year. Counting this, and the interest on the sterling loan placed in the London market soon after the war commenced, and adding them to the two items of interest cost referred to in the foregoing text, we get a grand aggregate of about \$52,000,000 per year in additional annual interest attributable to the war. Allowing for the fact that Americans hold a respectable part of the three domestic war loans, it may be said that probably two-fifths of the whole bill for interest will be payable at home. That is not such a bad showing for a young country in process of development.

## Increase in Food Held in Cold Storage

Government's report shows an increase in each commodity except eggs and mutton

Ottawa, Sept. 14.—The acting commissioner regarding the cost of living has issued the regular monthly statement of food held in cold storage as of September 1st, 1917. The term "cold storage" is not used in a technical sense. The statement includes chilled as well as frozen meats, fish and dairy products.

The quantities on hand the first of the month were:

Eggs, 14,948,540 dozens.  
Butter, 20,480,809 lbs.  
Cheese, 19,693,704 lbs.  
Beef fresh and frozen, 13,648,782; pickled, 566,895; total, 14,214,677.  
Pork, fresh or frozen, 10,302,645; pickled, 19,689,874; total, 29,992,519.  
Bacon, 10,856,548; ham, 1,619,137; bacon and ham, 1,543,558; total, 14,019,243.  
Mutton and lamb, 295,588; fish, 15,546,732; fowl, 1,844,207.

The above figures include the reports of 130 cold storage plants and cover about 88 per cent. of all the cold storage businesses of Canada. To estimate the total quantity of any commodity in Canada about ten per cent. should be added to represent the quantities of the six firms whose reports have been delayed, and to cover goods in transit in Canada.

### Comparative Figures.

Each commodity except eggs and mutton shows an increase. The holdings of the firms reporting quantities of food commodities on hand September 1st, 1917, and September 1st, 1916, show the following comparisons, the figures for 1916 appearing first in each case:

Eggs, 10,449,291 dozen; 9,713,824 dozen; 7 per cent. decrease.  
Butter, 10,285,988 pounds; 11,960,164 pounds; 16 per cent. increase.  
Cheese, 10,836,149; 12,251,431; 13 per cent. increase.  
Beef, 6,599,587; 8,373,037; 27 per cent. increase.  
Pork, 14,658,317; 20,194,226; 37 per cent. increase.  
Bacon and ham (total), 9,838,981; 13,119,730; 33 per cent. increase.  
Mutton and lamb, 210,490; 175,021; 20 per cent. decrease.  
Fish (all varieties), 4,440,132; 6,926,991; 56 per cent. increase.

Assuming that the holdings of the remaining firms show approximately the same proportions for the quantities of food commodities on hand September 1st, 1917, and September 1st, 1916, there is about 2,800,000 lbs. more butter, 2,260,000 pounds more cheese, 3,000,000 lbs. more beef, 8,000,000 more pork, 3,500,000 more bacon and ham, 75,000 pounds less mutton and lamb, 5,000,000 pounds more fish, and 1,125,000 dozen less eggs in store September 1st, 1917 than September 1st, 1916.

The exports for the month of August, 1916 and 1917, are as follows:

(1916 figures being the first in each instance).  
Butter, 2,046,150 lbs., 336,748 lbs.  
Eggs, 337,256 dozen, 141,025 dozen.  
Bacon and ham, 14,464,965 pounds, 24,109,997

Cheese, 29,011,629, 29,959,152.  
pounds.

Mutton, 676, 49,649.  
Beef, 2,329,344, 4,495,757.  
Pork, 1,244,350, 582,495.

### Where food is stored.

The following shows the distribution of the total quantities of each commodity in store September 1st, 1917, reported according to districts:

Butter, pounds—Maritime Provinces, 583,268; Quebec, 415,445; Toronto, 4,370,303; Ontario (exclusive of Toronto), 1,928,324; Manitoba, 2,053,435; Alberta and Saskatchewan, 1,858,662; British Columbia, 1,821,372.

Cheese, pounds—Maritime Provinces, 72,560; Quebec, 14,324,135; Toronto, 1,917,148; Ontario (exclusive of Toronto), 2,129,717; Manitoba, 370,974; Alberta and Saskatchewan, 601,002; British Columbia, 278,168.  
Eggs, dozen.—Maritime Provinces, 516,670; Quebec, 4,626,212; Toronto, 2,420,522; Ontario (exclusive of Toronto), 3,432,683; Manitoba, 1,921,824; Alberta and Saskatchewan, 1,133,238; British Columbia, 897,390.

Beef, pounds—Maritime Provinces, 120,364; Quebec, 1,091,091; Toronto, 3,453,338; Ontario (exclusive of Toronto), 119,427; Manitoba, 5,401,924; Alberta and Saskatchewan, 2,574,581; British Columbia, 888,257.  
Pickled beef, pounds—Quebec, 122,462; Toronto, 329,132; Ontario (exclusive of Toronto), 26,144; Manitoba, 78,455; British Columbia, 10,732.

Mutton and lamb, pounds—Maritime Provinces, 11,943; Quebec, 108,135; Toronto, 15,025; Ontario (exclusive of Toronto), 45,571; Manitoba, 55,063; Alberta and Saskatchewan, 38,101; British Columbia, 14,769.

Fish, pounds—Maritime Provinces, 2,467,178; Quebec, 2,435,542; Toronto, 389,306; Ontario (exclusive of Toronto), 632,726; Manitoba, 625,580; Alberta and Saskatchewan, 909,148; British Columbia, 8,187,252.

Poultry, pounds—Maritime Provinces, 27,196; Quebec, (Montreal), 476,119; Toronto, 306,595; Ontario, (exclusive of Toronto), 258,338; Manitoba, 306,130; Alberta and Saskatchewan, 180,737; British Columbia, 262,092.

Pork, pounds—Maritime Provinces, 6,888; Quebec, 577,998; Toronto, 1,976,598; Ontario, (exclusive of Toronto), 777,409; Manitoba, 3,602,926; Alberta and Saskatchewan, 3,020,102; British Columbia, 258,010.

Pickled pork, pounds—Maritime Provinces, 16,103; Quebec, 701,667; Toronto, 7,037,395; Ontario (exclusive of Toronto), 2,388,309; Manitoba, 2,806,799; Alberta and Saskatchewan, 5,437,582; British Columbia, 1,225,019.

Bacon, pounds—Quebec, 814,148; Toronto, 7,795,367; Ontario (exclusive of Toronto), 1,835,899; Manitoba, 217,388; Alberta and Saskatchewan, 126,503; British Columbia, 67,413.

Ham, pounds—Quebec, 402,160; Toronto, 173,612; Ontario (exclusive of Toronto), 577,220; Manitoba, 248,678; Alberta and Saskatchewan, 98,705; British Columbia, 98,762.

Ham and bacon reported together, pounds—Quebec, (Montreal), 1,229,823; Toronto, 144,953; Ontario, (exclusive of Toronto), 26,981; Manitoba, 54,882; Alberta and Saskatchewan, 55,550.